Atlantic Pilotage Authority

Administration de Pilotage de l'Atlantique

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Summary of 2015 – 2019 Corporate Plan

Canada

Atlantic Pilotage Authority
Summary of 2015-2019 Corporate Plan

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INTRODUCTION

BACKGROUND

The Atlantic Pilotage Authority (APA) provides a valuable and necessary service to the marine community in Atlantic Canada. The highly skilled marine pilots employed by the APA make a vital contribution to the protection of the environment, to safeguarding the lives of mariners, and to preserving and promoting the economic wellbeing of ports in Atlantic Canada. A reliable and responsible marine pilotage system plays a significant role in allowing Canadian businesses to remain competitive in the global marketplace.

The APA consults widely with the shipping industry and stakeholders on both operational and financial issues. Consultations have included shipping agents, ship owners, port officials, and other stakeholders. The APA has established committees of stakeholders in many ports, and also consults regularly with the Shipping Federation of Canada and the Canadian Shipowners Association. The Authority takes advice from its stakeholders, and greatly values the open lines of communications that these consultations provide. The focus of the Authority continues to be to meet the requirements of the customers in each port at a reasonable cost, while remaining financially self-sufficient.

SUMMARY

Operating Budget

The Authority continues to hover near a break-even position each year as it invests in additional pilots and technology in order to maintain or improve service levels. The pilot strength is being increased in Southeastern Newfoundland (NL) and Cape Breton, Nova Scotia (NS) to address service level concerns. Additions will also be made in Saint John, New Brunswick (NB) and Halifax, Nova Scotia (NS) in anticipation of pending retirements. New vessels have been launched recently in Saint John and Halifax and are in service as the primary vessels in each port. The Authority is also supporting the launching of new weather buoys in these two ports by contributing a portion of the annual operating costs. The buoy in Halifax was operational in 2014.

The Authority intends to remain in a profitable position during the five years of the planning period. The revision of the tariff structure undertaken in recent years with the support of customers allowed the APA to withstand the downturn much better than would have been the case a few years ago. Upon reviewing the tariff structure for 2015, the Authority will be implementing tariff amendments in six ports that will provide a 3.3% increase in overall revenue. The following chart indicates the actual results for 2013, the anticipated results for 2014, and the budgeted statements for 2015-2019.

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STATEMENT OF OPERATIONS	ACTUAL 2013	OUTLOOK 2014	BUDGET 2015	PLAN 2016	2017	2018	2019
TOTAL INCOME	21,575	22,294	23,436	24,356	25,088	25,826	26,343
TOTAL EXPENSES	21,474	22,362	23,092	23,388	23,773	24,892	25,399
PROFIT (LOSS) FOR THE YEAR	$ 101	$ (68)	$ 344	$ 968	$ 1,315	$ 934	$ 944
RATE OF RETURN	0.5%	-0.3%	1.5%	4.0%	5.2%	3.6%	3.6%

Capital Budget

With the launching of the two new pilot boats, the Authority's capital project focus is now on supplying two new backup vessels to these ports. This is the continuation of a project to replace the older Breau boats that are approaching 40 years of age. The project will target alternatives in an attempt to source less expensive, but equally reliable, vessels to be utilized with the newer vessels to provide uninterrupted service in major ports. Expenditures for pilot boat refits and equipment continue to be high as major equipment has been failing on the Placentia Bay vessels and is being scheduled for replacement. The Authority's pilot office and wharf in Halifax are leased, but are in desperate need of repair by the landlord. An alternate location is being examined and the plan is to move to another property in 2015. It is anticipated that the capital expenditure during 2015 will be $2.527 million.

CAPITAL EXPENDITURE COMPARISON	ACTUAL 2013	OUTLOOK 2014	BUDGET 2015	PLAN 2016	2017	2018	2019
PILOT BOATS							
CONSTRUCTION OR PURCHASE OF NEW BOAT	422	-	1,500	2,250	2,000	-	-
PILOT BOAT REFIT AND EQUIPMENT	866	626	725	650	650	700	700
WHARVES AND STRUCTURES	113	74	240	100	75	75	75
OTHER CAPITAL ITEMS	119	112	62	60	135	90	60
TOTAL	$ 1,520	$ 812	$ 2,527	$ 3,060	$ 2,860	$ 865	$ 835

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MANDATE, MISSION, VISION

Mandate: The mandate of the Atlantic Pilotage Authority is to establish, operate, maintain and administer, in the interest of safety, an efficient pilotage service within the Atlantic region.

Mission: The Authority will accomplish this by providing the necessary expertise and experience, associated with the appropriate technology, to meet the needs of the industry. The Authority is committed to maximizing the use of its resources/assets to meet the goals in a safe and environmentally responsible manner.

Vision: To continue to provide an effective pilotage service throughout the Atlantic Region. In doing so, the Authority would maximize opportunities and benefit the various ports/districts and surrounding communities.

CORPORATE PROFILE

BACKGROUND

The Atlantic Pilotage Authority was established February 1, 1972, pursuant to the *Pilotage Act*.

The Authority is a Crown Corporation as defined by the *Financial Administration Act* (FAA) and is listed in Schedule III, Part I to that Act. The Authority is not an agent of the Crown.

The Authority has not received parliamentary appropriations since 1995 and, under provisions of the *Pilotage Act*, is not eligible for future appropriations.

The Board of the Authority consists of a part-time Chairperson and not more than six other members, all appointed by the Governor in Council.

The Chief Executive Officer (CEO) has the direction and control of the day-to-day business of the Authority. The Authority is administered and controlled at its headquarters, which is located in Halifax, NS.

POWERS

To carry out its responsibilities, the Authority has established regulations, approved by the Governor in Council pursuant to the *Pilotage Act*, in order to:

- ⇨ Establish compulsory pilotage areas;
- ⇨ Prescribe ships or classes of ships subject to compulsory pilotage;

- Prescribe classes of pilot licences and pilotage certificates that may be issued;
- Prescribe pilotage charges payable to the Authority for pilotage services.

In addition, the Authority is empowered under the *Pilotage Act* to:

- Employ such officers and employees, including licensed pilots and apprentice pilots, as are required for operations;
- Establish internal regulations for managing its operation;
- Purchase, lease or otherwise acquire land, building, pilot boats and other equipment and assets deemed necessary, and to sell any assets thus acquired;
- Borrow, if necessary, in order to settle the Authority's expenses.

DESCRIPTION OF OPERATIONS

Since 1972, the Authority has operated, in the interest of safety, a marine pilotage service for all Canadian waters surrounding the four Atlantic Provinces, including the waters of the Bay of Chaleur in the Province of Quebec. This is the only program of business for the Authority.

The Authority provides licensed pilots to ships that enter Atlantic Canadian Ports in order to ensure that these ships travel within the pilotage area as safely as possible. The Authority also examines qualified mariners, and issues pilotage certificates to successful candidates to enable them to navigate their ships within designated compulsory areas without a licensed pilot on board. The Authority organizes its operations according to geographic location, and has designated seventeen areas as requiring compulsory pilotage, with one further area in the regulatory process to become compulsory. The Authority also endeavors to provide pilotage service to other areas, referred to as non-compulsory areas, upon request. Most of the pilots licensed by the Authority are employees; however, pilots may also be entrepreneurs, or a member of a body corporate contracting with the Authority for pilotage services. Pilot boat services may be owned and operated by the Authority or by a private operator who has a contract with the Authority. A complete breakdown of all revenue and costs related to the pilotage service is calculated and totaled for each port and area, and summarized for the entire operation.

The Authority provides dispatching services throughout its region from a dispatch centre located at its head office. The total cost of the dispatch operation in 2015 will be approximately $600,000 and this amount has been included in the budget. The dispatching service provides significant information and added value to pilots, customers, port authorities, and management through controlled access web pages established for each group. The web pages are continuously updated from the Authority's Dispatch and Billing System as the dispatcher enters data. Customers and pilots are able to contact dispatch by telephone, e-mail, facsimile, VHF radio, and telex. As the service evolves, it continues to increase the

efficiency of the Authority's operations while adding value for customers and employees. The APA has developed the capability to monitor vessel movements in the major ports and their approaches through a computer program utilizing the Automatic Identification System (AIS). The AIS is required on all commercial vessels, and the APA has also installed transmitters and receivers on its pilot boats.

The APA has three models for pilot boat operations:

1. In the Strait of Canso, and all minor ports, a contractor provides both the boat and the crew.

   The Authority prefers that all pilot boat contracts be paid on a "per trip" basis. This avoids a situation where a guaranteed annual amount of money is paid that has no relation to the number of assignments and revenue in that port. This principle is followed with a few minor exceptions to address local issues in a port.

2. In two of the major ports, Halifax and Saint John, the Authority owns and operates pilot boats, with the crew being employees of the APA.

   The Authority attempts to use its own boats in the most efficient manner possible and to control costs where possible. The boat crews are APA employees and their costs do not fluctuate with activity in the port.

3. In Placentia Bay and Sydney, the Authority owns the vessels, with the manning contracted out to a local company.

   The Authority encourages the contractor to use the APA boats efficiently while safeguarding the assets.

The APA prefers to have a variable cost in those ports in which a private contractor provides service. This is accomplished by having a "per trip" rate that will fluctuate with the volume of traffic.

Demand for the services of the Authority is, for the most part, determined by the shipping industry, over which the Authority has little or no control. The Authority evaluates its performance according to the achievement of a safe, efficient, and effective marine pilotage service while maintaining financial self-sufficiency.

In addition, success is determined by how well the Authority adapts to changes in world trade, to the establishment of new business ventures, and to patterns that develop within the shipping industry. Shipping operates on market demand. The Authority does not attract ships to the Atlantic region; it merely responds to a demand that is influenced by a number of factors. These factors include changes of shipping patterns, fluctuations in demand within the world economy, volatility in oil prices, and the effect of regulatory changes by other nations.

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The Authority operates within the marine transportation sector. No competition exists to provide this service in compulsory pilotage areas.

The Authority's goal is to implement tariffs that are fair and reasonable, and that allow the entity to operate on a self-sustaining financial basis. The following Table reflects the annual average percentage increase in revenue derived from increased tariffs during the following periods:

Year	2014	2015	2016	2017	2018	2019
Average Percentage Increase in revenue.	4.62%	5.28%	4.11%	2.38%	2.00%	2.00%

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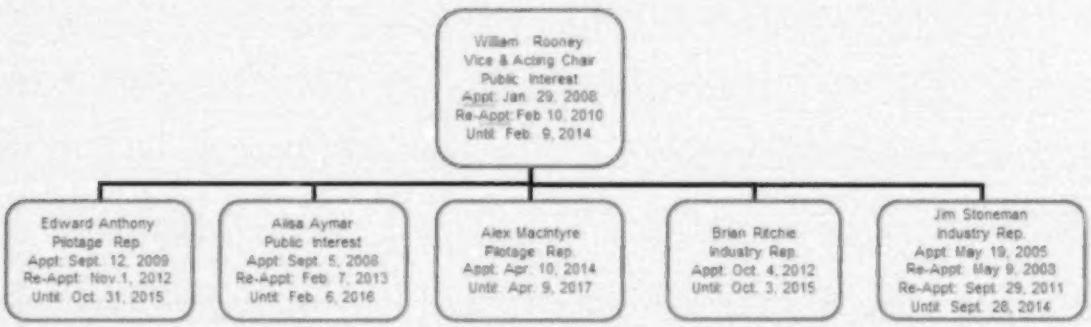
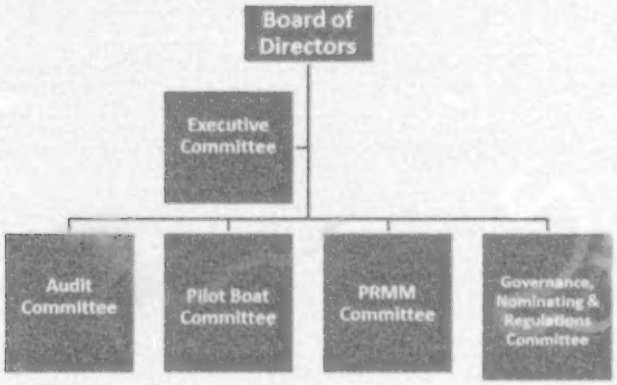
GOVERNANCE

The Chair and Members of the Authority (Board) are appointed by Governor-in-Council for terms of two to four years. The Board is composed of members with marine pilotage experience, members with shipping industry experience, and members representing the interests of the public at large. An effort is also made to have the Board reflect the widespread geographical area within the APA jurisdiction. This cross section of industry and business knowledge, experience, business acumen, and regional perspective provides an excellent background for the Board's deliberations. The Board has created a number of committees with specific responsibilities, and further information on these committees is provided below.

The following organizational chart indicates the composition of the Board as at September 1, 2014, followed by a chart indicating the Board committees that are in place. The Members remain on the Board until a re-appointment or replacement is made by Order-in-Council. The Chair does not serve beyond the end of their term.



Vacant: Chair - Public Interest



RISK MANAGEMENT

Pilotage Risk Management Methodology

When reviewing the possibility of designating a compulsory pilotage area, it is expected that such designation not be imposed indiscriminately. It must be the result of appropriate research and evaluation of all the facts and of meaningful consultation with the stakeholders. There must be clear justification that compulsory pilotage is warranted to enhance safety and protect the marine environment. A risk management approach for pilotage was developed that was compliant with the Canadian Standards Association CAN/CSA-Q850.

The APA has developed a two tier approach to the PRMM process. An initial high-level scan (referred to as a Phase I Review) of a broad geographic area is conducted to determine whether ports within the area require a full PRMM review. Upon completion of the Phase I Review, ports are identified for further study. A priority list of ports requiring a PRMM review is determined.

The PRMM approach provides an interactive process consisting of easy to follow steps which, when taken in sequence, provide for a consistent, transparent and well-documented decision-making process. Risk control strategies or risk reducing strategies are evaluated in terms of needs, issues and concerns of all affected stakeholders. The PRMM stresses the importance of involving stakeholders from the outset and maintaining good documentation throughout all stages in the process. This process was recommended by the Minister of Transport and the development of the process was spearheaded by Transport Canada in cooperation with the pilotage authorities.

The APA has been a leader among Pilotage Authorities in conducting PRMM studies. The Authority has conducted six PRMM studies in recent years on the following subjects:

- vessel size and types subject to compulsory pilotage;
- the Miramichi River Compulsory Pilotage Area to determine if it should remain compulsory;
- the approaches to Voisey's Bay to determine whether compulsory pilotage was required;
- the St. Croix River and Port of Bayside to determine whether compulsory pilotage was required;
- the Port of Belledune to determine whether compulsory pilotage was required;
- the Port of Argentia to determine whether this port should become part of the Placentia Bay Compulsory Pilotage Area.

The St. Croix River and Port of Bayside result was reviewed further and withdrawn as conditions in the area had changed.

In 2010, a Phase I Review was conducted on non-compulsory ports in Nova Scotia. Four ports were identified for further attention; however, two of these ports have had their primary industry close and will not merit a further review. In 2011, a Phase I Review was conducted in New Brunswick. Following the recommendation in this report, the PRMM review was conducted for the port of Belledune with a recommendation made that this area should have compulsory pilotage. After extensive consultations with direct stakeholders, the proposed amendments are in the regulatory process.

In 2012, a Phase I Review was conducted on non-compulsory ports in Newfoundland. The facilitator identified ports that would require a full PRMM as a result of his study. The initial PRMM on the port of Argentia was presented to the Authority in the latter half of 2013 and the recommendation to leave the area as non-compulsory was accepted. In 2014, a PRMM review of the Conception Bay area in Newfoundland was conducted with a recommendation that it remain status quo as a non-compulsory port.

Enterprise Risk Management Framework

The Authority has established an Enterprise Risk Management (ERM) framework to identify and mitigate risks to the corporation. Risks were initially identified with the assistance of external consultants through a thorough analysis of the enterprise's environment. Any existing mitigation to help reduce the likelihood or impact of the risk was considered, and additional mitigation was identified and where practicable, implemented for each risk. The last ERM exercise took place in May 2014.This analysis initially identified 29 risks, which were reduced to 23 risk categories through refining the definitions and combining similar risks. The risks were ranked after a thorough review by the Board and Management of the Authority. It is understood that the risk categories are not static, and a regular review is required. The review may identify new risks, may determine that risks have decreased through sufficient mitigation to reduce their likelihood or impact, or may determine that the risk level has increased due to changes in circumstances.

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Each of the risks is graded on two scales, likelihood that the event will occur and the impact if it does happen. The likelihood is graded from 1 – Rare to 5 – Almost Certain, while the impact goes from 1 – Inconsequential to 5 – Catastrophic.

The scoring is tabulated and the risk categories fall into one of four categories. High risk items are identified in red, medium risks are in orange, and low risks are in yellow and minor risk items in green.

RISK RANKING

	Impact				
Likelihood	**Inconsequential 1**	**Minor 2**	**Moderate 3**	**Major 4**	**Catastrophic 5**
Almost Certain 5					
Likely 4					
Possible 3					
Unlikely 2					
Rare 1					

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Risk	Description
HIGH Red	Requires detailed research, planning and decision making at senior levels of management
MEDIUM Orange	Senior management attention and action needed
LOW Yellow	Management control responsibility must be specified
MINOR Yellow	Monitoring by Management required, further action optional

While it is important to be cognizant of all risk factors, the high risk categories demand the most priority, followed by the medium risk categories. The following risk categories were identified:

1	Customer Satisfaction
2	Injury to pilot/crew member while transferring
3	Risk of Accident Caused by Human Error
4	Risk of being unable to Attract and Retain Pilots to meet Demand
5	External Economic Risk
6	Safety Compromised due to Pilot Fatigue/Under the Influence
7	Loss of Launch Services causing Major Interruption of Service
8	Interruption of Service due to Breakdown in Labour Relations
9	Unable to Attract and Retain Adequate and Trained Relief Pool for Pilot Boat Crew
10	Operating costs exceeding amount budgeted when tariffs are determined
11	Safety Compromised due to Boat Crew Fatigue/Under the Influence
12	Risk that Employees are exposed to Injury or Illness in the Workplace
13	Governance/Organizational Structure/Succession Planning
14	APA Involvement in Non Compulsory Ports
15	Loss or Misuse of Information, Data, or Other Assets
16	Fraud
17	Safety/Service Compromised due to Interruption to the Dispatch Operation
18	Administration Staff Coverage
19	Safety Compromised due to Inappropriate Pilotage Area Designation
20	Pilot Vessels not meeting TC Inspections
21	Business Continuity
22	Certificate Holders Evaluations
23	Management Information

The table below indicates the top two risks classified as high risk items with, current mitigation, and additional mitigation strategies being considered.

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Risk	Description	Current Mitigation	Additional Mitigation	Summary
Customer Satisfaction	The risk that APA does not monitor, review and react to the level of customer satisfaction and/or investigate non-compliance forms received from customers or incidents.	*All non-compliance forms are investigated and responses provided to customers. *The number of these reports is presented to the Board and to customer groups. They are also reported in the APA's Annual Report. *Pilots are being added in an area where a lack of pilot numbers has caused service issues. *Added enhanced reporting to customers and pilots regarding performance. *Are tracking additional KPI's to measure performance and understand the quality of service being provided. *Increased direct communications with customers. *Added Electronic Source Forms to facilitate faster payments to the Authority and to agents from their customers. *Human resources reporting has been improved to better monitor and manage employee leave.	* The Authority continues working with the Canadian Marine Pilots Association (CMPA)to have weather Buoys deployed in the Canso, Halifax and Saint John. The weather readings from these buoys would help pilots and management work with agents and vessels to provide a more efficient pilotage service. This would save considerable money for industry by helping with scheduling of port services. *A procedure to survey masters or customers regarding the level of satisfaction with service is being considered. *Carry enough pilots to cover for illness and unexpected shortages.	It will always be difficult for the Authority to provide perfect service 100% of the time as the organization cannot afford to staff for the peak service days without a considerable increase to tariffs. The Authority will monitor service levels closely and work with industry to provide the most efficient service possible.
Risk	**Description**	**Current Mitigation**	**Additional Mitigation**	**Summary**
Injury to Pilot/Crew Member while Transferring	The risk that a pilot/crew member suffers an injury while transferring from or to a vessel. These transfers are done thousands of times annually in all types of weather conditions involving many types of vessels. It is this activity that exposes some of our employees to the greatest danger.	*Pilot boats supplied by the Authority or the contractors are deemed suitable platforms for the areas serviced and are well maintained to assure proper surfaces for transfer. *Safety procedures are in place for the transferring of pilots, including procedures required of APA employees and pilot ladder requirements for vessels. *Boats are equipped with man overboard equipment, including scanners and beacons, and crews are trained to utilize the equipment and regular drills are conducted. *Pilots have the authority to close a port for weather watch if it is deemed to be too severe to provide the service. *Robust OHS system is in place with updated manuals and regular committee meetings.	*The Authority will look to expand the use of this scanner and beacon technology to contract pilot boats where the nature of the commute demands the precaution. *The Authority continues to invest in new vessels and technology to make the transfer more stable and safe.	Some risk is inherent in transferring from a pilot boat to a ship. Management, pilots, and boat crews must be constantly monitoring how to make the activity safer and put systems in place to limit the consequences if someone were to fall while climbing a ladder or fall overboard.

The Authority has developed mitigation strategies for all twenty three identified risks.

COST CONTAINMENT

The Authority is a "non-appropriated" or self- financing Crown Corporation. Nevertheless, in budgeting for 2015, the Authority has respected the spirit and intent of Government of Canada's actions for cost containment regarding limiting operating expenditures and discretionary spending.

The administration spending budgets for the APA are deemed to be the Dispatch budget, the Administration budget, and a portion of the Training budget related to administrative staff. The items in these budgets were separated into discretionary and non-discretionary items. The discretionary expenses, which make up the majority of the total items, are within 0.6% of the 2014 levels approved in the previous corporate plan.

For the Administration budgets in total, including both discretionary and non-discretionary spending, budgeted expenses have increased by 1.0% for 2015 from 2014 budget levels. These expenses in total have been budgeted to increase due to our recent experience with higher legal fees and increased head office rental costs.

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Administration Budget - 2015

	2014 Budget	2015 Budget	2015 Change over 2014 Budget
Discretionary Items			
Salaries & Benefits	1,586	1,616	30
Travel	181	153	(28)
Communication	42	46	4
Utilities, Materials, Supplies	279	278	(1)
Rentals	23	26	3
Professional & Special Services	119	110	(9)
Training	12	7	(5)
Amortization	88	105	17
Total Admin Discretionary Expenses	2,329	2,342	13
Discretionary Budget Increase			0.6%

	2014 Budget	2015 Budget	2015 Change over 2014 Budget
Non Discretionary Items			
Board Fees & Allowances	156	156	-
Bad Debt Expense	10	10	-
Headquarters Office Space	146	151	5
Property and Business Taxes	4	4	-
Legal Fees	78	96	18
Internal Audit Fees	40	30	(10)
Transport Canada Fees	108	110	2
Canada Gazette Costs	9	9	-
Payroll Processing	8	9	1
Translation Services	10	9	(1)
Pilot Warrant Charges	5	5	-
Total Admin Non Discretionary Expenses	573	589	16
Non-discretionary Budget Increase			2.8%
Total Admin Expenses	2,902	2,931	29
			1.0%

The individual operating budgets for each port were deemed to be operating expenses. Amortization has been excluded as capital investment was not frozen and the Authority continues to invest in new pilot vessels and modern equipment. Increases in operating expenses from the 2014 budget levels have

been offset with equal or greater increases in budgeted revenues. The net operating Income is budgeted to increase in 2015 from 2014, as is the final net profit. The Authority is targeting a net income for 2015 that satisfies its needs regarding being financially self-sufficient.

		2014 Budget	2015 Budget	Budget Difference 2015 over 2014 Budget
Revenues				
Operating Budgets				
	Pilotage charges	21,825	23,399	1,574
	Total Revenues	**21,825**	**23,399**	1,574
Expenses				
	Pilots' fees, salaries and benefits	9,791	10,591	800
	Pilot boats, operating costs	4,719	5,183	464
	Pilot boat crews' salaries and benefits	1,710	1,763	53
	Transportation and travel	569	568	(1)
	Training	264	308	44
	Professional and special services	115	142	27
	Utilities, materials and supplies	59	52	(7)
	Rentals	109	103	(6)
	Communications	81	83	2
	Financing Costs	153	136	(17)
	Total Expenses	**17,569**	**18,929**	1,360
Net Operating Income		**4,256**	**4,469**	213
Less:	**Amortization**	**1,222**	**1,232**	10
	Discretionary Admin Costs	2,329	2,342	13
	Non-Discretionary Admin Costs	573	589	16
	Miscellaneous Income	(57)	(37)	20
	Total Admin Costs	**2,846**	**2,893**	47
Profit		**188**	**344**	156

Pilotage charges are $1.6 million higher than the 2014 budget due to assignment growth in several higher income ports from the previous budgeted levels ($400,000) and tariff increases ($1.2 million).

Operating Expenses are budgeted to increase $1.4 million as the Authority increases pilot strength to resolve service concerns and prepare for imminent retirements. Pilot boat operating costs have increased with the cost of fuel and with pilot boat repair costs.

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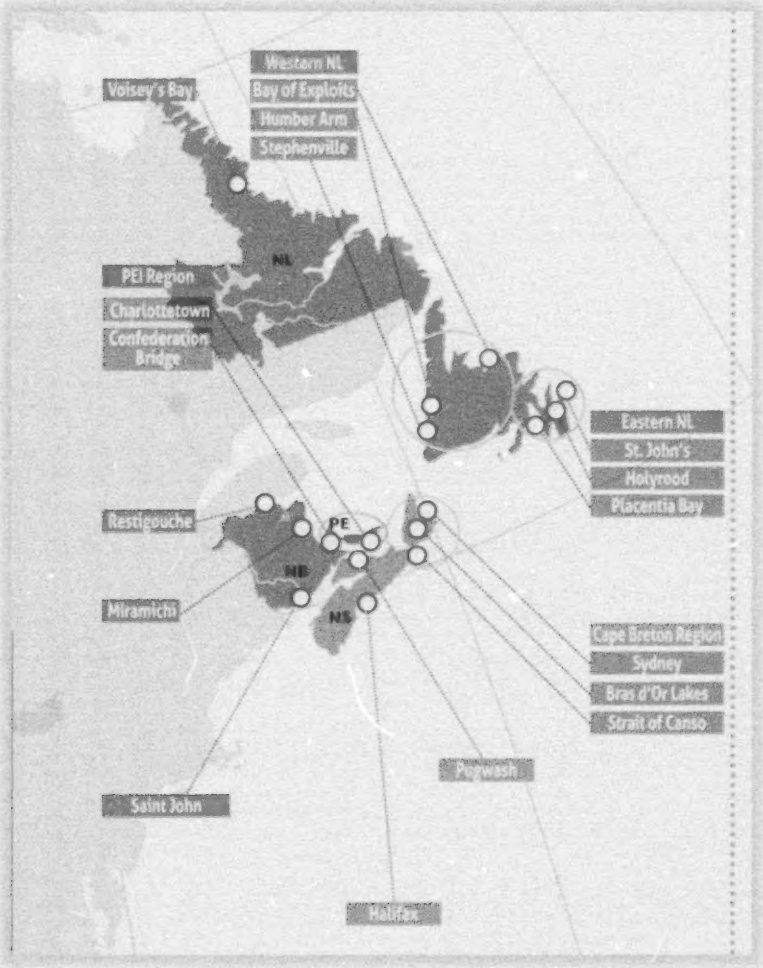
REVENUE AND TRAFFIC PATTERNS

The Authority provides pilotage service in the seventeen compulsory ports indicated in the below map. Pilotage service is provided to non-compulsory ports upon demand. The Authority has pilots licensed for 17 non-compulsory ports and did assignments in the majority of these areas in 2013.

Atlantic Pilotage Authority Compulsory Pilotage Areas



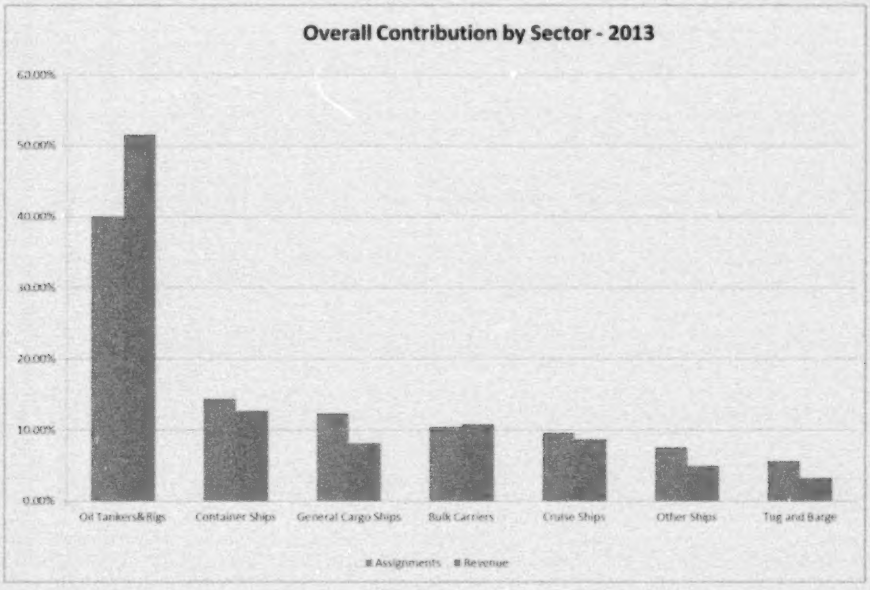
The total number of estimated assignments for 2015 is expected to be 8,316, down from the projected 2014 activity levels of 8,406 assignments. The amount of activity in ports serviced by the APA can vary significantly due to factors that are beyond its control. Currently two major issues are on the horizon: the widening of the Panama Canal which will lead to a change in traffic patterns; and International

Maritime Organization regulations on air pollution of ships operating near shore. The former issue may have a significant effect on container ship traffic, and the latter regulation may impact cruise ship traffic.

Of the 17 compulsory areas, there are four major ports that contribute approximately 73% of the Authority's assignments, and approximately 79% of revenues. These ports are Placentia Bay, NL, Halifax, NS, Strait of Canso, NS, and Saint John, NB. Much of the pilotage activity in the Atlantic Region is driven by the oil industry, with oil tankers being primary contributors in Saint John, Strait of Canso, and Placentia Bay. While tanker traffic is also important in Halifax, container ships are the primary contributor to that port which handles over 80% of the Authority's container ship traffic.

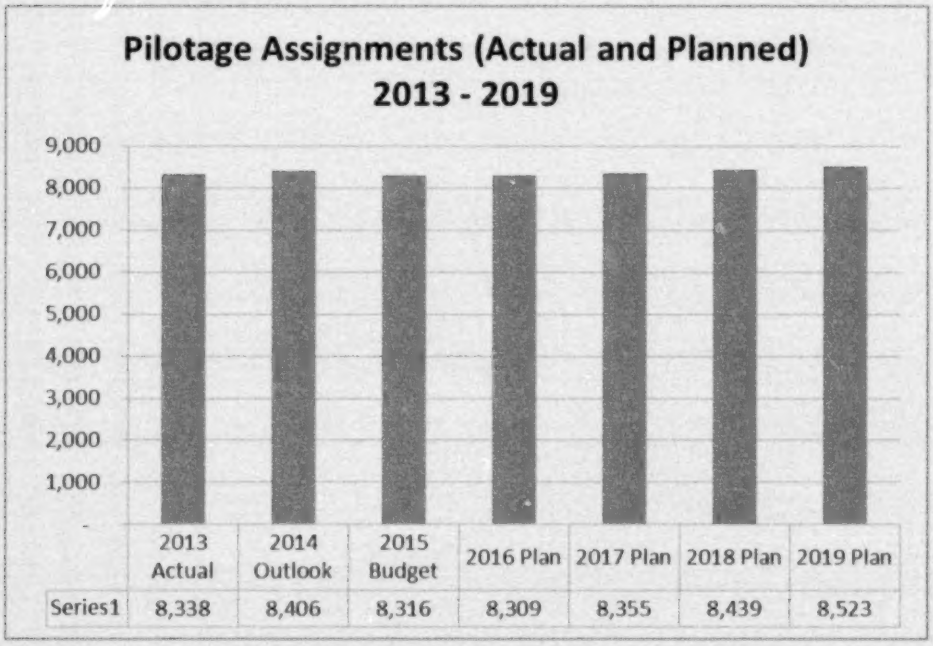
Foreign flagged vessels provide the great majority of the Authority's business. This fact has become even more pronounced after offshore supply vessels were exempted in 2006, as these vessels are predominately Canadian flagged ships. The current trend is for foreign vessels to represent approximately 77% of assignments, and approximately 79% of revenue.

The oil and gas industry accounts for approximately 40% of the Authority's overall assignments, and contributes 52% of the overall revenue, based on current trends. The following chart indicates the overall contribution by different sectors.



The chart below illustrates the annual assignments for 2013, the outlook for 2014, and the forecast included in the Plan for 2015-2019. Even though the Authority has experienced declines in traffic recently, this plan conservatively projects activity levels to remain constant over the longer term. There

are projects being considered by industry that may grow traffic within this planning period, but the Authority is taking a wait and see stance on possible growth.



MANNING LEVELS

The Authority currently has eighty full time employees, and one part time employee. This includes 47 pilots, 18 pilot boat crew members (including maintenance), 6 dispatch personnel, and 9.5 management and administrative personnel. Please see Section 7 for a summary of the Human Resources budget and plan.

The Authority employs highly skilled and qualified pilots. Professional development is emphasized, and the Authority makes a significant financial commitment to ensure that the best available training is provided. The pilots are supported by competent pilot boat crews and dispatchers who work as a team to provide the best possible service to the customer. The Authority employs professional and proficient management and support staff to administer the operations.

The licensed pilots and the pilot boat crews are trained to conduct a safe marine pilotage service. The Authority monitors the requirements for each port and staffs accordingly, after consultation with

stakeholders. Pilotage and the marine industry are undergoing rapid technological change. The Authority evaluates and modifies training programs to deal with the rapidly evolving technology.

Statement of Human Resources
2011-2019

	ACTUAL 2011	ACTUAL 2012	ACTUAL 2013	OUTLOOK 2014	BUDGET 2015	PLAN 2016	PLAN 2017	PLAN 2018	PLAN 2019
ADMINISTRATION									
EXECUTIVE OFFICERS	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
MANAGERS	2.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
SUPPORT	5.5	3.5	4.5	4.5	4.0	4.0	4.0	4.0	4.0
	9.5	8.5	8.5	9.5	9.0	9.0	9.0	9.0	9.0
OPERATIONS									
PILOTS	44.0	43.0	42.0	47.0	49.0	48.0	48.0	48.0	48.0
PILOT BOAT CREWS	14.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
DISPATCHERS	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
	64.0	66.0	66.0	71.0	73.0	72.0	72.0	72.0	72.0
TOTAL EMPLOYEES	**73.5**	**74.5**	**74.5**	**80.5**	**82.0**	**81.0**	**81.0**	**81.0**	**81.0**
ENTREPRENEURIAL PILOTS	13.0	10.0	10.0	9.0	10.0	10.0	10.0	10.0	10.0
TOTAL MANPOWER RESOURCES	**86.5**	**84.5**	**84.5**	**89.5**	**92.0**	**91.0**	**91.0**	**91.0**	**91.0**

The Executive Officers include the CEO, Chief Financial Officer (CFO), and the Chief Operating Officer (COO). The COO position had been vacant since late 2011, but was staffed in February of 2014. The Authority left this position vacant since late in 2011 in an attempt to reduce costs in administration. It was decided that this position is essential to the longer-term operation of the Authority and with respect to continuity planning as the CEO nears retirement as it adds the marine knowledge and experience of a Master Mariner. The Managers of the Authority encompasses the Controller position and the HR Manager. Support staff includes executive and administrative assistant positions.

In the above Statement of Human Resources table, under Operations, "Pilots" and "Pilot Boat Crews" refer to employees of the APA.

Pilots

In regards to pilots, the Authority is dealing with an older employee group that is nearing retirement. The Authority has also been experiencing more delays due to injury, which has had a negative effect on service levels in Eastern NL and in Cape Breton. The Authority has received notice from several pilots' regarding their plans to retire. Pilots are being added as replacements so that they can have two years of

training before each pilot retires. Having a pilot retire without a suitable replacement able to compensate can have a negative effect for users.

The pilot strength in Cape Breton had been reduced due to a decline in traffic, mainly in Canso. One pilot in the area retired and one was transferred to Halifax. This traffic has rebounded and has been higher than expected. This, combined with health issues in the work force, has caused service issues in the region. Southeast NL has had similar issues with health and declining service levels. Saint John has significant business growth in its future, for which the Authority must have additional pilots added and trained. Due to the need to meet the users' service requirements, while compensating for an older workforce with pending retirements, the Authority will be increasing pilot numbers in 2014 and 2015.

The pilots are members of the Canadian Merchant Service Guild-Pilots. A new four year collective agreement was negotiated in 2012 to remain in effect until 2016.

PILOT BOAT CREWS

The pilot boat crews encompass three groups of employees that are considered operational.

Vessel Maintenance

The Authority employs two people that manage and maintain the APA vessels. There is a Pilot Boat Administrator and an Engineer. The Pilot Boat Administrator position evolved from a support position in 2012 to manage the pilot vessel maintenance and manning. The addition of a pilot boat engineer took place in 2013. This addition was based on the recommendation of an internal audit that was tasked with analyzing the Authority's maintenance program and recommending actions to increase efficiencies, lower costs, and increase operating time of the vessels. The addition of an engineer will allow for increased preventative maintenance which will help avoid catastrophic repairs. The Authority had an engineer on staff from the early 1970's through 2008. Since the beginning of 2009, the duties have been performed by the former engineer on a contract basis. However, as new more complex boats enter service, much of the preventative maintenance required became beyond the scope of the contractor. Much of the cost of the new engineer will be offset by a reduction in contract engineering services.

Launchmasters

The pilot boat crew numbers increased in 2012 with the establishment of a fourth crew in Saint John, NB. This initiative was supported and encouraged by the Saint John stakeholders to ensure 24 hour coverage for the port while reducing fatigue and increasing safety. Each crew is made up of a launchmaster and a deckhand. There are eight launchmasters who are employees of the Authority, four in Saint John and four in Halifax.

The Launchmasters are members of the Canadian Merchant Service Guild-Launchmasters. A new four year collective agreement was negotiated in 2012 to remain in effect until the end of 2015.

Deckhand

The Authority added to the total number of deckhands in 2012 when it added a fourth crew in Saint John, NB. Each crew is made up of a launchmaster and a deckhand. There are eight deckhands who are employees of the Authority, four in Saint John and four in Halifax.

The Deckhands are members of the Public Service Alliance of Canada-Deckhands and Office Staff. A new four year collective agreement was negotiated in 2012. The old contract had expired on December 31, 2010, but the union was not able to commence bargaining until late 2011. The agreement expires on December 31, 2014.

DISPATCHERS

Included in the dispatchers' category is the Pilot Operations Manager, who supervises the dispatch centre, and five dispatchers. The five dispatchers are employees of the Authority who work out of the Dispatch Centre located in the Authority's head office. They are members of the Public Service Alliance of Canada-Deckhands and Office Staff. A new four year collective agreement was negotiated in 2012. The old contract had expired on December 31, 2010, but the union was not able to commence bargaining until late 2011. The agreement expires on December 31, 2014.

ENTREPRENEURIAL PILOTS

Entrepreneurial (or Contract) Pilots are not employees of the APA, and derive their income from receiving a share of the tariff levied for an assignment. A Contract Pilot is paid a percentage of the tariff rate for each pilotage assignment. Some employee pilots perform Contract Pilotage in non-compulsory assignments during their off duty time. Because these pilots are included above as employee pilots, they are excluded from Entrepreneurial pilot totals.

Atlantic Pilotage Authority
Summary of 2015-2019 Corporate Plan

Statement of Income
Years Ended December 31
(000's)

	ACTUAL 2013	OUTLOOK 2014	BUDGET 2015	PLAN 2016	2017	2018	2019
INCOME							
PILOTAGE CHARGES	$ 21,180	$ 22,250	$ 23,399	$ 24,318	$ 25,049	$ 25,786	$ 26,302
INTEREST & OTHERS	395	44	37	38	39	40	41
TOTAL INCOME	21,575	22,294	23,436	24,356	25,088	25,826	26,343
EXPENSES							
PILOTS FEES, SALARIES, AND BENEFITS	9,841	10,118	10,591	10,780	11,016	11,291	11,573
PILOT BOATS	5,101	5,028	5,183	5,282	5,416	5,524	5,635
STAFF SALARIES AND BENEFITS	1,451	1,563	1,616	1,635	1,679	1,721	1,764
PILOT BOAT CREWS' SALARIES AND BENEFITS	1,580	1,706	1,763	1,800	1,838	1,875	1,912
TRANSPORTATION	675	757	728	749	720	738	756
PROFESSIONAL AND SPECIAL SERVICES	616	595	586	545	557	568	579
TRAINING	111	297	315	300	300	306	312
RENTALS	267	285	285	295	290	296	302
COMMUNICATION	113	130	130	128	131	134	136
UTILITIES, MATERIALS, AND SUPPLIES	375	419	429	440	434	443	451
AMORTIZATION	1,220	1,320	1,330	1,321	1,283	1,783	1,783
FINANCING COSTS	124	144	136	123	109	213	196
TOTAL EXPENSES	21,474	22,362	23,092	23,388	23,773	24,892	25,399
PROFIT (LOSS) FOR THE YEAR	$ 101	$ (68)	$ 344	$ 968	$ 1,315	$ 934	$ 944
RATE OF RETURN	0.5%	-0.3%	1.5%	4.0%	5.2%	3.6%	3.6%

Atlantic Pilotage Authority
Summary of 2015-2019 Corporate Plan

Statement of Financial Position
Years Ended December 31
(000's)

	ACTUAL 2013	OUTLOOK 2014	BUDGET 2015	PLAN 2016	2017	2018	2019
ASSETS							
CURRENT							
CASH	$ 1,884	$ 1,805	$ 1,471	$ 3,360	$ 2,780	$ 4,244	$ 5,759
ACCOUNTS RECEIVABLE	2,977	2,936	2,995	3,055	3,116	3,178	3,242
PREPAID EXPENSES	153	121	122	124	127	129	90
	5,014	4,862	4,588	6,539	6,023	7,551	9,091
FIXED							
CAPITAL AT COST	18,096	18,908	21,314	24,289	27,064	27,839	28,584
LESS ACCUMULATED AMORTIZATION	6,621	7,941	9,271	10,592	11,875	13,658	15,441
	11,475	10,967	12,043	13,697	15,189	14,181	13,143
	$ 16,489	$ 15,829	$ 16,631	$ 20,236	$ 21,212	$ 21,732	$ 22,234
LIABILITIES							
CURRENT							
ACCOUNTS PAYABLE	$ 2,237	$ 1,978	$ 1,825	$ 1,850	$ 1,860	$ 1,890	$ 1,900
CURRENT PORTION OF BANK LOANS	400	421	435	449	534	555	580
TERMINATION BENEFITS	62	110	95	65	90	90	90
	2,699	2,509	2,355	2,364	2,484	2,535	2,570
LONG TERM							
BANK LOANS	4,633	4,206	4,771	7,322	6,788	6,233	5,653
TERMINATION BENEFITS	1,309	1,338	1,385	1,462	1,537	1,627	1,730
	5,942	5,544	6,156	8,784	8,325	7,860	7,383
TOTAL LIABILITIES	8,641	8,053	8,511	11,148	10,809	10,395	9,953
CONTRIBUTED CAPITAL AND EQUITY							
EQUITY	7,848	7,776	8,120	9,088	10,403	11,337	12,281
	7,848	7,776	8,120	9,088	10,403	11,337	12,281
	$ 16,489	$ 15,829	$ 16,631	$ 20,236	$ 21,212	$ 21,732	$ 22,234

Statement of Changes in Equity
Years Ended December 31(000's)

	ACTUAL 2013	OUTLOOK 2014	BUDGET 2015	PLAN 2016	2017	2018	2019
RETAINED EARNINGS, BEGINNING OF YEAR	$ 7,656	$ 7,848	$ 7,776	$ 8,120	$ 9,088	$ 10,403	$ 11,337
GAIN (LOSS) FOR THE YEAR	101	(68)	344	968	1,315	934	944
OTHER COMPREHENSIVE GAIN (LOSS)	91	(4)	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	192	(72)	344	968	1,315	934	944
RETAINED EARNINGS, END OF THE YEAR	$ 7,848	$ 7,776	$ 8,120	$ 9,088	$ 10,403	$ 11,337	$ 12,281

Atlantic Pilotage Authority
Summary of 2015-2019 Corporate Plan

Statement of Changes in Financial Position
Years Ended December 31
(000's)

	ACTUAL 2013	OUTLOOK 2014	BUDGET 2015	PLAN 2016	2017	2018	2019
OPERATING ACTIVITIES							
CASH PROVIDED BY (USED FOR) OPERATIONS							
NET PROFIT (LOSS) FOR YEAR	$ 101	$ (68)	$ 344	$ 968	$ 1,315	$ 934	$ 944
ITEMS NOT REQUIRING CASH							
AMORTIZATION	1,220	1,301	1,330	1,321	1,283	1,783	1,783
ASSET WRITE OFF	195	19	121	85	85	90	90
INCREASE (DECREASE) IN EMPLOYEE TERMINATION BENEFITS- SEVERANCE	142	139	142	142	165	180	193
	1,658	1,391	1,937	2,516	2,848	2,987	3,010
CASH PROVIDED BY (USED FOR) NON-CASH WORKING CAPITAL	346	(190)	(213)	(37)	(54)	(35)	(14)
EMPLOYEE TERMINATION BENEFIT PAYMENTS	(125)	(62)	(110)	(95)	(65)	(90)	(90)
CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,879	$ 1,139	$ 1,614	$ 2,384	$ 2,729	$ 2,862	$ 2,906
FINANCING ACTIVITIES							
CASH PROVIDED BY FINANCING							
LOAN RECEIVED ACTIVITIES	2,000	-	1,000	3,000	-	-	-
LOAN PAYMENTS	(300)	(406)	(421)	(435)	(449)	(534)	(555)
	1,700	(406)	579	2,565	(449)	(534)	(555)
INVESTING ACTIVITIES							
(INCREASE) DECREASE IN INVESTMENTS	-	-	-				-
ADDITIONS TO CAPITAL ASSETS	(2,161)	(812)	(2,527)	(3,060)	(2,860)	(865)	(835)
DISPOSAL OF CAPITAL ASSETS	-	-	-	-	-	-	-
CASH USED FOR INVESTING ACTIVITIES	(2,161)	(812)	(2,527)	(3,060)	(2,860)	(865)	(835)
INCREASE IN CASH AND SHORT TERM INVESTMENT DURING THE YEAR	$ 1,418	$ (79)	$ (334)	$ 1,889	$ (580)	$ 1,463	$ 1,516
CASH, BEGINNING OF YEAR	466	1,884	1,805	1,471	3,360	2,780	4,244
CASH, END OF YEAR	$ 1,884	$ 1,805	$ 1,471	$ 3,360	$ 2,780	$ 4,244	$ 5,759

Atlantic Pilotage Authority
Summary of 2015-2019 Corporate Plan

Capital Budget
(000's)

	ACTUAL	OUTLOOK	BUDGET	PLAN			
	2013	2014	2015	2016	2017	2018	2019
PILOT BOATS							
CONSTRUCTION OR PURCHASE OF NEW BOAT	422	-	1,500	2,250	2,000	-	-
PILOT BOAT REFIT AND EQUIPMENT	866	626	725	650	650	700	700
WHARVES AND STRUCTURES	113	74	240	100	75	75	75
MAINTENANCE AND OTHER VEHICLES	-	55	-	-	-	30	-
LEASEHOLD IMPROVEMENTS	1	-	5	-	75	-	-
COMPUTER AND OFFICE EQUIPMENT	27	11	22	20	20	20	20
SOFTWARE FOR COMPUTER PROGRAMS	91	46	35	40	40	40	40
TOTAL	$ 1,520	$ 812	$ 2,527	$ 3,060	$ 2,860	$ 865	$ 835

CAPITAL EXPENDITURE COMPARISON EXPLANATION

The Authority had the second of two new pilot boats enter service in the Port of Saint John in April 2013. The first boat of this class was launched for Halifax in 2012. Some smaller additions related to these new vessels were made in 2013. This plan includes a preliminary timeline for adding two more new vessels, one each for Halifax and Saint John. By the end of 2014, the Authority will be examining several vessel design options to determine if there are simpler, less costly, options for pilot boats that would provide a stable and robust platform for the pilots while reducing maintenance costs and down time. More formal planning and design work will begin in 2015, with the expectation that the boats will be delivered by 2017. These boats will replace backup vessels that will be 34 and 41 years old by 2017. Customers in both ports have expressed the desire to have reliable pilot boat service, and there is a legitimate need to replace these older vessels.

Pilot boat refits and equipment are expected to increase with the two new vessels in the fleet. Equipment on the Placentia Bay boats will be reaching the end of its useful life and needing service or replacement within the planning period. Transport Canada and Lloyd's Register inspections will also be due on all APA boats over this period.

The Authority is currently leasing a pilot office and dock in Halifax. This location is deteriorating as the office is located on a wharf that is not being maintained. Other options are being investigated with the intention to move to a new space and change the location where the pilot boats are docked. An amount has been included under wharves and structures for this alternative.

New tablet computers continue to be evaluated by the Authority pilots for their feasibility as a Portable Pilot Units (PPU). Because of the nature of the pilotage performed by APA pilots, primarily harbour

pilotage, the type of laptop PPU used by the other Pilotage Authorities is not practical for the APA application. The other capital items are expected to remain fairly consistent with previous years.

Key Financial Ratios
Years Ended December 31

	ACTUAL 2013	OUTLOOK 2014	BUDGET 2015	PLAN 2016	2017	2018	2019
PROFIT MARGIN	0.5%	-0.3%	1.5%	4.0%	5.2%	3.6%	3.6%
DAYS COVERAGE	80	75	69	98	88	107	127
CURRENT RATIO	1.86	1.94	1.95	2.77	2.42	2.98	3.54
RETURN ON TOTAL ASSETS	0.6%	-0.4%	2.1%	5.3%	6.4%	4.4%	4.3%
DEBT TO EQUITY	1.10	1.04	1.05	1.23	1.04	0.92	0.81

Profit Margin- As discussed previously, the 2014 fiscal year has been below budget financially for the Authority for various reasons. The Authority is projecting a small loss for 2014, but was only targeting a thin margin. In 2015, the profit margin is expected to remain low as traffic is not expected to grow from 2014.

Days Coverage- In 2011, the Board adopted a resolution with respect to the amount of funds available in liquid assets. The resolution called for the calculation of days coverage of budgeted expenditures per day. It was agreed that if the days coverage reached 122 days, the excess funds would be set aside for future capital expenditures or debt reduction. Once these projects were funded, the targeted return on revenue would be adjusted accordingly. In the 2015 to 2017 period, the Authority is proposing two more vessels be constructed and is planning to finance them primarily with long-term debt.

Current Ratio- The current ratio is expected to remain strong through the planning period with current assets being close to double current liabilities and growing over time.

Return on Assets- The return on assets is expected to improve. The goal is to earn a higher return on assets than what could otherwise be earned if the money were invested elsewhere.

Debt to Equity Ratio- The debt to equity ratio is expected to top out just over 1.2 to 1 in 2016 with the addition of borrowing for the next vessels.